



**THOMAS L. GARTHWAITE, M.D.**  
Director and Chief Medical Officer

**FRED LEAF**  
Chief Operating Officer

COUNTY OF LOS ANGELES  
DEPARTMENT OF HEALTH SERVICES  
313 N. Figueroa, Los Angeles, CA 90012  
(213) 240-8101

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August 26, 2005

TO: Each Supervisor

FROM: Thomas L. Garthwaite, MD  
Director and Chief Medical Officer

**SUBJECT: MANAGEMENT OF DHS PHYSICIAN CONTRACTS**

On July 19, 2005, the Board of Supervisors instructed the Department of Health Services (DHS) to report back on the reforms that have been put into place to ensure the proper management of physician services contracts at DHS facilities.

In addition to the problems that have been previously identified at King/Drew Medical Center, further weaknesses in physician contract monitoring across the Department were identified in a recently conducted Auditor-Controller review.

This report provides a summary of the Department's current contract monitoring activities and steps that are being taken to strengthen these efforts.

Contract Monitoring Structure

Contract monitoring includes the oversight of administrative, fiscal, and programmatic requirements of Board-approved agreements. The Department presently has in place some 3,000 contracts. Due to this large number of contracts, oversight has been largely decentralized over the years. However, in 2001, certain monitoring activities were consolidated under the Centralized Contract Monitoring Division. This office is responsible for conducting the administrative and fiscal monitoring, while the programmatic and invoicing oversight is delegated to the individual facility or program.

As noted above, there are several components to contract monitoring. Administrative monitoring pertains to business operations, such as insurance, business or other licensure and permitting. Fiscal monitoring refers to the conduct of fiscal reviews of the contracted agency, which is done only by the Department's Centralized Contract Monitoring Division. Programmatic, or service, review looks at the contractor's performance of deliverables, such as hours worked, services rendered, and invoices submitted, under the agreement.

In the case of physician services agreements, programmatic oversight and management of time worked and contractor duties and responsibilities is the responsibility of the individual clinical chiefs, just as it is for the management of County-employed physicians. The hospital Medical Directors are ultimately accountable for ensuring the integrity of program oversight. For these agreements, the clinical service chief is the contract monitor. The monitoring of billing to ensure contract physicians do not exceed the allowable contract amount also should be the responsibility of the clinical chief. Billing oversight is provided by the hospital's finance office in reviewing and reconciling invoices prior to payment and the provision of contract utilization data to the responsible service chiefs. As was discovered, this does not always occur in this manner; there are variable oversight practices across the Department and inconsistent understandings of contract monitoring responsibilities.

Each facility appoints a Contract Liaison, who is responsible for the management and oversight of all systems and practices associated with all contracts at the individual facility. This individual maintains the list of existing agreements and interacts with the Department's central Contracts and Grants Division to initiate processing extensions of existing agreements or requesting newly-required services. This individual also is responsible for working with the centralized Contract Monitoring and Audit and Compliance Divisions to ensure that proper programmatic and administrative monitoring is occurring for all agreements in place at the facility. In some instances the facility may appoint a second individual to be responsible for the monitoring and auditing function.

Given the large number of contracts managed by DHS, the Centralized Contract Monitoring Division was established to conduct reviews of the administrative and fiscal performance of contracts throughout the Department. The volume of contracted services throughout DHS makes it impossible to perform annual administrative and fiscal audits of all agreements. Further central oversight and support of contract monitoring activities is provided by the Department's Audit and Compliance Division, which develops the DHS-wide protocols and standards by

which contracts are monitored and provides training and support to the facilities in implementing these oversight activities. The Audit and Compliance Division conducts mandatory training for all individuals assigned as a contract monitor. Weaknesses exist in clearly identifying and defining the individuals who are contract monitors and ensuring consistent provision of necessary training.

#### Changes in Physician Contract Oversight

A number of changes have been put into place regarding the management of physician service agreements. These include a more limited definition of what constitutes part-time or intermittent services; greater oversight requirements for facility Medical Directors; inclusion of a maximum contract obligation; and prohibition of on-call services for registry and full-time contractors.

A directive is being distributed this week to all of the facility Medical Directors that specifies the new contract requirements and mandates that the clinical chiefs are the contract monitors for day-to-day purposes. Additionally, a checklist of the terms and conditions of the physician contracts has been developed and is being distributed to the facilities. The Audit and Compliance Division is conducting training specific to the facility Medical Directors and clinical chiefs to ensure they understand the responsibilities associated with monitoring the contracts as well as the terms and conditions of the contracts.

The Board also asked the Department to evaluate and make changes, as appropriate, to the medical school affiliation agreement with Drew University regarding the responsibilities of contract physician working in the emergency department. The Department has evaluated the agreement and determined that the problem existed not with the affiliation agreement, but rather with the underlying individual physician services contracts. As such, and as noted above, the contract language in these agreements has been revised to require that contract physicians obtain prior written approval from the facility Medical Director prior to engaging in any administrative activities at the facility and prohibit them from engaging in continuing medical education activities.

While this Board instruction resulted from problems identified at King/Drew Medical Center, these expectations and training are being implemented at all DHS facilities to improve the oversight of physician contracts across the Department.

As noted above, the Auditor-Controller recently submitted a report on its findings regarding the Department's oversight of physician time, including that of contract physicians. The Auditor-Controller found weaknesses in the monitoring of the time worked by contract physicians, such as documentation of arrival and department

times and inconsistencies between hours invoiced by contract physicians and the facility staffing schedules. The Auditor-Controller has made a number of recommendations related to physician contracts, which include:

- Requiring verification of contract physician work hours with the clinical department schedules;
- Ensuring contract physicians are complying with the contract service and billing requirements;
- Improving monitoring to ensure physicians who have recently left County service are not reemployed as contractors within the 12 month statutory prohibition; and,
- Evaluating potential technological fixes to monitor the presence of contract physicians.

The Department is working to develop contract monitoring controls consistent with the recommendations put forth by the Auditor-Controller.

Finally, as the Department has previously reported, a further report on efforts to strengthen the overall contract monitoring functions is being developed and will be provided to your Board separately.

Please let me know if you have any further questions.

TLG:ak

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Auditor-Controller